Content online and the end of public media? The UK, a canary in the coal mine?

Richard Collins

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Introduction.

Content online has quickly achieved an extraordinary social salience. For example, OxIS (Dutton, Helsper and Gerber 2009: 19) found that "The Internet has become the first port of call when people look for information" and Ofcom (2010: 238) claimed that in 2010 in France, Germany, Italy and the UK between 54% and 66% of adults accessed social networking sites. Content online has both complemented and substituted for established, "legacy", media. The last two decades (early adopters might say the last three decades), have been remarkable for the transformation in established patterns of communication. Since the beginning of printing, mediated communications have more or less divided into one-to-many mass communication, the mass media, and one-to-one private communication, letter post, telephony and so on. But now online content including social media have filled the gap, and eroded the distinctions, between one-to-many and one-to-one communication. The spectrum between two long established types of communication has been filled by a host of hybridised activities signified by terms like "prosumer", user generated content", "closed user group", "webcasting", "followers", "friends" and so on. Hybridisation, and the substitution of one form of service delivery for another with a consequential establishment of a separate market, also poses policy and regulatory challenges necessitating certain drafting sleights of hand and definitional uncertainties, such as the provision in clause 24 of the EU Audiovisual Media Services Directive which refers to "television like services" (European Parliament and the Council 2010).

The impact of online delivery of content is nowhere more striking than in its substitution effect on "legacy" media, exemplifying what Werbach (1997: 1) presciently identified as the internet's substitutability for all existing media. This substitution effect has changed media advertising markets, the focus of this paper, and thereby the financing of "legacy media" content by undermining the business model which has underpinned provision of "public media" in European societies. The (partial, for legacy media are not yet, nor are likely to be, extinct) substitution of the Internet as an advertising medium, to the detriment of the media, notably newspapers and radio and television broadcasting, which for long have been the prime location for advertising to (a) mass public(s) has undermined the system of finance which, in the UK and societies like it, has sustained production and provision of high quality, pluralistic and affordable public media which have constituted a pillar of the familiar European "dual system" of public/state and private media ownership.

An historical excursion.

Once upon a time there was a newspaper called the *Daily Universal Register* (DUR) which was the precursor of *The Times*. The first edition of the DUR came out in 1785 and the first *Times* in 1788, entitled *The Times or Daily Universal Register*

(Anonymous 1935: 6). The DUR/Times was first published by John Walter, a bankrupted coal merchant and insurance underwriter, who became a printer/publisher dealing principally in dissemination of shipping and financial market intelligence but who also published "kiss-and-tell" tales – notably an *Apology for the Life of George Anne Bellamy*. The author of the first volume of the history of *The Times* wrote that: "Mrs. Bellamy had eloped from boarding school with Lord Tyrawley and subsequently been mistress to half the aristocracy of London" and that her memoir "mentioned the names and characters of every well-known man about town" (Anonymous 1935: 7). The DUR's business model was thus the supply of pay for content – whether kiss-and-tell tales or market intelligence. Regulation inhibited development of an alternative business model, based on advertising revenue. Anonymous observed that "all Administrations were jealously afraid of the Press; they taxed the journals and taxed the advertisements……. A self-supporting circulation was rendered impossible by the increasing duties. As the advertisements were increasingly taxed, the space cost more than it was worth… The bare sale of copies would not afford to pay the compositors and printers" (Anonymous 1935: 17). The DUR's subscription business model co-existed with a further model: acceptance of bribes/subsidies from political interests to sustain publishing.

We have, in this brief history, a story of the varying articulation of the three business models which have, in varying degrees at different times and places, sustained the mass media: direct payment for content, payment for advertising and state subsidy. The heroic history of *The Times*, told by Anonymous, features a sloughing off of the corrupt business models of payment for kiss-and-tell and/or backhanders from politicians in favour of the advertising funded model as the DUR gave way to a rebadged product - *The Times*. As Anonymous stated "Emancipation of the daily journals from political dictation, and from the necessity to accept doles from the Treasury or from party funds in return for political support, waited upon the development of commercial advertising" (Anonymous 1935: 18). Contemporary changes to the advertising market are undermining this economic model, a model which has for more than a hundred years sustained a more or less pluralistic, more or less affordable and more or less universal public media in most "western" states. I place a significant emphasis on the positive role of advertising and in so doing risk adoption of what Curran and Seaton (2003) deprecate as a "standard interpretation of press history" (Curran and Seaton 2003: 5). In their view, advertising funding did little more than exchange one type of media dependency, that of subservience to the sources of political subsidy, for another, subservience to business interests with a consequential political centrism powered by advertisers' desire to maximise consumption of their commercial messages. Contemporary changes in media advertising markets, and their effects on established "legacy" media, provide an illuminating content in which to revisit both what Curran and Seaton the "standard interpretation" and their own, latterly hegemonic, version which has become the new standard.

Changes to the media advertising market: legacy media to the internet.

Price Waterhouse Coopers (PWC)[i] recently estimated that the global advertising market fell 12% between 2008 and 2009. To some extent, markets have recovered (Zenith Optimedia estimated a rise in 2010 of 4.9%. See Schweitzer and Rabil 2010) but not to previously established levels. Further to this (possibly cyclical) absolute fall there has been a major, though unevenly experienced, redistribution of advertising revenues in major developed economies. Authoritative generalisation is difficult because of the uneven availability of reliable data, lack of equivalence in time series etc etc. However, in varying degrees (not least because of varying levels of affordable broadband access to the internet) there is a consensus that has been a striking fall in the proportion of advertising spend devoted to “legacy” media (notably newspapers and free to air broadcasting – the traditional heartlands of public media) and a corresponding rise in spend on the internet (and particularly to search advertising). The significance of this shift, particularly within the context of an overall fall in advertising spend, is that the funding model (advertising plus subscription/cover price) for content production and distribution, notably news and current affairs, is in crisis. Advertising revenues, which once funded content production and distribution, including news, are increasingly received by firms which do not produce content – Google, Yahoo, eBay and the like.

Figure 1 here.

Ofcom’s compilation of data shows both that conclusions are likely to be heavily influenced by the time series chosen for analysis and that, whatever time series, in the span shown, is chosen there has been a striking growth in Internet advertising spend relative to that for legacy media. Broadly, these trends persist. In the first half of 2010, UK internet advertising spend grew by 10%, achieving a share of the UK advertising market of 24.3% (search advertising accounted for 56% of UK internet advertising), whereas total advertising spend grew only by 6.3% (see IAB 2010). And, more important, they seem, in varying degrees, to be experienced across “first world” media markets. Ofcom found that global online advertising grew (albeit only by 1%) in 2008-9 whereas advertising revenues generally fell 13% (Ofcom 2010: 17). Newspapers experienced the biggest reduction in advertising revenues among “legacy” public media (falling more than 20%) whereas TV advertising revenues fell by 9% and radio advertising revenues fell by 15% (Ofcom 2010: 10). In contrast, subscription revenues rose by 5.8% (Ofcom 2010: 9). In 2010, UK advertising spend recovered somewhat and grew by 6.6% with ITV’s[ii] television advertising receipts growing by 15% (in a FIFA World Cup year) but, overall, the UK market was consonant with global trends which were dominated by online advertising estimated by Zenith Optimedia to be “growing three times faster than the market as a whole” (see Schweizer and Rabil 2010).

Policy responses.

The consequences of the impact on content (particularly news) production of this shift of advertising revenues away from “legacy” media and to the internet (particularly to search engines) has been addressed differently in different countries. In Europe, France and the UK, as ever, provide a convenient vignette of the range of responses. In France, Government has required public service broadcasting to withdraw from the supply of advertising (with obvious benefits to advertising funded commercial television in France) and has increased subsidies to the newspaper sector – notably by providing 600m euros in support over three years; offered free hard copy newspapers to young people; and levied 0.9% of the turnover of telcos and ISPs for a content fund[iii]. One estimate suggests that 12% of French newspaper revenues accrue from subsidies which amount to 1bn euros annually (see EUbusiness 2010).

There have been no such bold initiatives in the UK, though Ofcom in 2004 tentatively proposed diverting some of the funds devoted to public service broadcasting to support a “Public Service Publisher” and the last Labour government (which lost office in May 2010) proposed to fund three pilot schemes, Independently Funded News Consortia (IFNC), to provide news (located in northern England, Scotland and Wales). The IFNC pilots were scheduled to receive funding of up to £47m over two years. However, the clause which would establish them was deleted from the Digital Economy Bill on its final Parliamentary reading in the pre-election “wash up” on April 7th 2010. Further, there are grounds for scepticism about the effectiveness of such subsidies. Picard (2007), in a study of Nordic press subsidies, found “we are in the twilight of the Nordic model. Although elements of the model may be retained to soothe social consciences, its viability as a policy that actually addresses and solves the problems for which it was intended appears negligible” (Picard 2007: 244). There is little to suggest that Picard’s conclusion is inapplicable outside the Nordic zone.

But before rejecting an established cure, we must ask whether there is really a disease. How far are such concerns about the impact on content production and availability arising from a changed advertising market justified? Again, Picard offers a sceptical view claiming: “Newspaper trends indicate that papers have lost their prominent roles in information delivery and public discourse among large amounts of the population. More significantly, broadcasting, journals, and new media are increasingly taking on the functions previously played by newspapers as vehicles of political and social communication and discourse (Picard 2007: 243). To effect a convincing diagnosis is notoriously difficult, not least because of significant difficulties in data collection and comparison. However, what data is available points clearly towards the conclusions that, first, that there is a notable and widely shared internet effect, a similarity in kind, and, second, that newspapers are experiencing this trend more intensely than television and, third, that this shared internet effect does appear to differ between countries – there are differences in degree as well as similarities in kind.

International experience and the UK.

The most recent edition of Ofcom’s bi-annual International Communications Market Report shows conveniently and authoritatively how the internet’s share of advertising expenditure has risen in the 12 countries tracked (Ofcom 2010: 214). The shared trend of growth in internet advertising, at the expense of legacy media, is clear but, for some reason(s) the shift of advertising revenue to the internet appears more pronounced in the UK than elsewhere.

Ofcom (2010a: 235) reported that UK internet advertising expenditure had grown from £1.4bn pa in 2005 to £3.5bn in 2009. Although rates of growth may be even more rapid in other jurisdictions (eg in Germany in 2008 Internet advertising trebled, from 105m to 336m euro whereas television advertising grew only 4.5% and newspaper advertising fell 4.2% [Evangelischer Pressedienst 2009: 12]) such growth is usually from a lower base. The reasons for the particularly high salience of internet advertising in the UK are not clear[iv]. True, internet access at home in the UK is high – at c73% of homes (Ofcom 2010a: 235) but other countries also enjoy similarly high, and sometime higher, levels of penetration (eg the Netherlands and Sweden have significantly higher numbers of internet connections per head than does the UK and France and Germany only a single percentage point lower[v]).

Of course, growth in one sector does not necessarily mean decline in another but in this case there seems to be strong evidence of a substitution of internet advertising spend for legacy media spend. In the UK, television advertising revenues fell by 14.5% in 2008-09 and, as a result, the contribution of advertising to total TV revenue fell to 26% in 2009 from 35% in 2004 (Enders 2010: 3). UK commercial radio revenues fell from £551m pa in 2004 to £432 in 2009 and radio's share of UK advertising revenue from 3.5% to 2.8% in the same period (Ofcom 2010a: 189). The UK's experience in broadcasting finance is echoed elsewhere: across the 27 EU Member States, aggregate revenues for television fell 4.5% in 2008 (Source: European Audiovisual Observatory Yearbook 2009). Ofcom's (2010: 23) comparison of trends in global advertising expenditure 2004-9 suggests that there is a general tendency, rather than one confined to the UK, for advertising to migrate from "legacy" public media to the internet.

Newspapers are in decline across the developed world, though emerging economies such as China and India constitute an important exception to this trend.[vi] The fall in newspapers' advertising revenue has been accompanied by a fall in their circulation. Ofcom found that "Over the past four years circulation figures of the popular press have fallen on average by 3.2% per annum, while 'quality' newspapers have fared better, but still experienced average reductions of 1.3% per annum" (Ofcom 2009: 293). And, although Ofcom does not have statutory responsibility for the press, it noted in 2009 that "Newspaper advertising revenue fell by 12% year on year" (Ofcom 2009: 36). Newspaper publishers have responded by raising prices (for example, the *Financial Times* has doubled its cover price from £1 daily in mid 2007 to the current £2 effective from April 2009) and reducing pagination. Decline in newspaper circulation appears to be accelerating: in the year 2009-10 the UK's five "quality" national daily newspapers and the four national Sunday newspapers all experienced significant falls in circulation. Analogous declines have been evident in broadcasting. Ofcom, in the most recent of its annual reports on public service broadcasting,[vii] found that public service broadcasters' expenditure of public service programming had fallen by 7% in the year 2008-9 and some genres of public service programming had experienced larger falls – eg national/regional programming fell by 32% in the same period (Ofcom 2010b: 2).

Regional and local media.

Most UK attention focuses on national media (although in many countries – France, Germany and the USA are cases in point – the regional/local press has a significance greater than it enjoys in the UK) but the funding pressures experienced by UK national newspapers and broadcasters are experienced even more intensely by local newspapers. In 2008 an ABN AMRO stock analyst's report commented that Trinity Mirror, one of the largest UK regional/local newspaper groups (which also owns the national daily the *Daily Mirror* and the national Sundays the *Sunday Mirror* and *The People* – all of which are experiencing falling circulations), was experiencing "desperate times" which called for "desperate measures".

Trinity Mirror responded with a merger, though not that with Johnston Press enjoined by ABN AMRO, but rather by taking over the Guardian Media Group's local newspapers. However, though the company's 2010 interim financial results showed a further fall in underlying revenues of 5% cost cutting enabled the company to improve margins by 3.3% and profit by 25.7%. Nonetheless, like for like advertising receipts fell by 9% for Trinity Mirror's national newspapers and by 11% for its regional papers. The company has over £300m in debt (albeit holding £75m in cash) and has not distributed a dividend to shareholders: the 2010 preliminary results provoked a 22% fall in the company's share price (see Trinity Mirror 2011).

Subscription finance.

In contrast to the experience of the advertising funded mass media, broadcasters funded by subscription (including licence fees – cynically but not inaccurately described as a compulsory subscription) have enjoyed a boom. Between 2004 and 2009, UK pay TV operators enjoyed revenue growth of c39% in nominal terms – of which BSkyB accounted for some 80% in 2009 - to account for 44% of the total TV market (Enders 2010: 3). Again, the UK experience is echoed elsewhere, (see figure 2) albeit sometimes less stridently.

Figure 2 here.

A more fine grained snapshot (and thus not showing trends) is also provided by Ofcom (2010: 132) shows that although the UK is second only to the USA in the absolute amount spent per head on subscription television it is relatively low in terms of the proportion of television spend accounted for by subscription. Of the 17 countries considered by Ofcom, Canada has the highest proportion of its television spend accounted for by subscription (followed by Japan, Germany, the UK, France and the USA).

However, a somewhat more nuanced picture emerges when other countries are considered. In the BRICs (Brazil, Russia, India, China) countries considered by Ofcom, and compared to the UK, the same trend towards growth in subscription funding evident in the Europe/North America/Japan (ENAJ) configuration is apparent but in important cases – notably Russia and China – there is an even more striking growth in advertising funding (see Figure 3)[viii]. One may speculate as to the reasons for the differences between the BRICs and ENAJ (later development of a market economy? lower levels of disposable income in the mass of the population?) but to do so authoritatively would require more information and more extensive linguistic capabilities than I can boast.

Figure 3 here.

So what? The consequences of change.

So what, one might respond? The shift in media funding from advertising to subscription funding that I've identified has several important potential consequences. First, in the long term it's likely that public access to affordable content (most importantly, news) is likely to decline. Second, the quality of content is likely to decline. Third, the plurality of sources of content (most importantly, news) may decline – not least in consequence of mergers as firms seek to reduce costs in response to diminishing revenues and/or as control of bottleneck essential facilities (subscription management systems, encryption and API protocols, transmission and distribution platforms etc) endow a few firms with sufficient market power to exercise dominance. None of these potential consequences are necessary or inescapable but all, perhaps for a finite time as markets find a new equilibrium and/or new technologies or business models emerge, can currently be seen in actual and existing media regimes.

Declining access to affordable content? In the UK we have seen significant numbers of newspaper closures and mergers[ix], notably in the local/regional sector but the economic health of the national press also remains shaky. As the UK *Press Gazette* reported on 13.8.2010, "The circulation of every national newspaper suffered a year-on-year decline in July, with quality titles faring worse than tabloid and mid-markets papers"[x]. In response, papers have reduced pagination (eg the *Financial Times*), closed free access to websites (*The Times*) and raised prices (the *Financial Times* raised its price from £1 in mid 2007 to £2 in mid 2010). In television, Channel 3 (generally known as ITV but in fact made up of three companies – ITV, *stv* and UTV) has foreshadowed closure of its regional news services. The combination of the potential loss of both local/regional newspaper and television news coverage underpinned the Labour government's flirtation with the IFNC initiative.

Pay walls and online newspapers.

As well as the substitution of the internet as an advertising medium, to the detriment of legacy media, there is some evidence of a substitution effect whereby readership of online newspapers substitutes for readership of hard copies. In January 2010 *The Guardian* reported that its website (which includes content from *The Observer* and *MediaGuardian.co.uk*) attracted 36,980,637 unique users; up 3.32% from November and an increase of 62% year on year. Similarly, at Mail Online, the *Daily Mail* website, readership grew by 67% year on year, up 5.1% from November to 32,843,958 unique users. And, third, the most successful UK newspaper website, the *Daily Telegraph* site, fell slightly by 0.33% from November to 30,711,261 unique users. However, this represented a 46% year-on-year increase (Bunz 2010). But, despite the success of attracting "footfall" to newspaper websites – not surprising when most of these remain free at the point of use - it is generally agreed that newspapers' revenues have not grown commensurately with increased use of their websites. Falling revenues mean a reduction in journalists' jobs and newsgathering resources (see, for example, NUJ 2009). Some newspapers have moved to a subscription/pay per view model for web journalism. But it seems unlikely that any such initiative will enjoy success as long as acceptable non-pay equivalents are available.

Preliminary findings from *The Times'* July 2010 initiative to establish a pay wall are not encouraging. Enders estimates that prior to establishing the pay wall *The Times Online* had 6m unique visitors per month and secured c£25-30m in annual advertising revenues. But, after establishing the pay wall, visitors fell to only 15,000 per month (generating a max annual revenue – assuming all sign up for a year) of £1.5m per annum with an unquantified, but surely significant, loss of advertising revenue (Enders 2010: 13). Subsequent data is no more encouraging. comScore (see Glanfield

2010) suggest that in August 2010, the second month of *The Times'* pay wall business model, site use minutage fell by 16% and page views by 22%.

Further, and notoriously, newspapers' (and broadcasters') content is reproduced on third party sites provoking the European Publishers' Council, in its "Hamburg Declaration" of 2009, to claim:

> Numerous providers are using the work of authors, publishers and broadcasters without paying for it. Over the long term, this threatens the production of high-quality content and the existence of independent journalism (European Publishers' Council 2009: 6).

Among the main such third parties, what Martin Sorrell (CEO of the advertising agency WPP) called the "frenemies" of legacy media,[xi] Apple and Google have offered to share revenues[xii] with content providers but the offered terms have not yet proven attractive. Further new business models may emerge: for example, mining data on TV viewing habits from set top boxes and "pushing" tailored advertisements to viewers (rather as Google Mail does). But such a business strategy depends on viewers being addressable (notably by receiving their non-broadcast television, eg through IPTV) and may not do much to fund public content. Increasingly, television is retailed through themed, rather than mixed, channels and, to a lesser extent, video on demand (VOD). In consequence, advertising revenues generated from video on demand and/or sport or movie channels may not flow to fund news and public information screened on different channels.

The changes in the media landscape that I've sketched above are of obvious interest to direct stakeholders in legacy media – whether workers or shareholders – but why should any one else care? A general public interest is at issue only if such changes have damaged, or will significantly damage, the quality, plurality and accessibility of the information necessary for people to make well informed decisions on how to conduct their lives. And here it may be too soon to tell. Ofcom's account of the decline in UK PSBs' spending on original programming (Ofcom 2010b *passim*) is one telling negative indication. And, further, there is acute pessimism over the future of established news media (see, for example, Newspaper Death Watch 2011). US data suggests an analogous decline (see Schonfeld 2008).

Ofcom's exemplary study *New News, Future News. The challenges for television news after Digital Switch-over* (Ofcom 2007: 1) found that "Economic circumstances make it much less likely that commercial broadcasters would choose to carry news for the UK nations and regions at anything like its current level, in the absence of effective regulatory intervention". And Roy Greenslade, formerly editor of the *Daily Mirror* and now a Professor of Journalism and a highly respected UK media commentator, has also argued that change has been for the worse. On 25.10.2007 he claimed that "media outlets will never generate the kind of income enjoyed by printed newspapers: circulation revenue will vanish and advertising revenue will be much smaller than today. There just won't be the money to afford a large staff" (Greenslade 2007).

The glass half full? New initiatives.

On the other hand, the decline of **professional** journalism claimed by Greenslade has been accompanied by a collapse of entry barriers and the blossoming of a host of specialist sites, Web 2.0 collaborations[xiii] and the flourishing of what's variously been called "citizen", "distributed" or "networked" (Beckett 2008) journalism: that is of, in a particularly felicitous coining, a "fifth estate" (Dutton 2007). As Greenslade has claimed "We are surely moving towards a situation in which relatively small "core" staffs will process material from freelances and/or citizen journalists, bloggers, whatever"(Greenslade 2007) .

New entrants range from e-zines such as *openDemocracy* (which started in 2000/2001) and has acquired a high reputation for its range of dialogic/debate based international citizen journalism, embodying the attributes of Dutton's "fifth estate", to Rick Waghorn's *Norwich City* soccer club focused site. *openDemocracy* (www.openDemocracy.net accessed on 2.3.2011) combines user generated content with expert editorial origination and amendment of content whereas Waghorn's site (http://norwichcity.myfootballwriter.com accessed on 2.3.2011) is much more rooted in the established idiom and practices of "legacy" journalism. In a forum on the future of news, for Polis at LSE (in a statement which is no longer accessible online, Waghorn claimed his site has "the standards and commitments to quality you would expect from a trained and experienced, professional journalist - just a journalist that's now free from the space and time constraints traditionally imposed by a print press". He asserts that the core competence which sustains the site is his own local, expert, knowledge: "There are lots of journalists who may know more about national football or about England, but nobody will know more about Norwich football than me. Punters know I have a personal relation with a team".

The e-zine *openDemocracy* is on a bigger scale than Waghorn's *Norwich City* site with four full time workers and costs c £250,000 pa. It is distinguished by its use of writers from the localities under consideration "we use African writers when an African issue is under consideration", by its commitment to "non metropolitan voices" – "we don't publish on the basis of a metropolitan outlook" and by its dialogic and debate format: "we typically commission more than one piece" and "we still regard ourselves as a debate site" (Hilton interview 7.2.2007[xiv]). On September 21 2010, Alexa ranked the site 5,198 among UK sites (see http://www.alexa.com/siteinfo/opendemocracy.net accessed on 2.3.2011).

And in the USA (and Australia), "crowd financed" or "community funded" sites, such as www.spot.us , have developed through which readers/supporters can contribute to the financing of enquiries, resulting in publication, proposed by journalists. However, despite the growth of news and comment internet sites/media and a host of blogs such sites tend to have a mayfly life. Despite the promise of "fifth estate" journalism and the contributions to pluralism made by new web based entrants to the UK media there are solid grounds for supposing that the basis on which authoritative, affordable and pluralistic public media have been available for around the last hundred years is falling away. In television resources, slowly followed by consumption, are shifting way from free to air to subscription (pay wall protected) television; in radio no viable subscription model has been developed but, in the UK at least, advertising revenues are falling slowly and consumption is shifting to licence fee funded services; in the press sector, advertising funded newspapers are (with the qualified exception of free sheets) in decline with no viable pay wall or other alternative emerging.

The change in the advertising market seems, if the trends identified above are sustained, to presage a significant qualitative change in the general mass media environment: for legacy media threats seem most salient, for new media opportunities. But in both legacy and new media these changes point to considerable uncertainty about how the core social and political role of public media – to provide pervasive and affordable access to diverse, high quality, content – is to be sustained. Change, whether manifested as threat or opportunity, points towards renewed attention to public finance for the mass media.

Public finance.

In the face of challenges such as those outlines above, the obvious answer is to propose public intervention: if markets are failing then the classic answer is action by government to redress failure. But the UK, unlike many fellow EU Member States, has, with the (significant) exception of exemption from VAT and (less significant) award of postal pricing privileges, confined public support to the broadcasting sector. However, the break down of the long standing system of advertising finance for public media has posed, and broadened, the question of the future extent and character of public service broadcasting finance beyond conventional radio and television. In its 2008 consultation on the future of public service broadcasting (see http://www.ofcom.org.uk/tv/psb_review/ accessed on 2.3.2011) Ofcom invited comment on three possible future funding models: "**extended evolution**" (which reduces the public service duties of ITV and *five* and requires additional funding to sustain the public service mandates of the advertising funded broadcasters); a "**refined BBC/Channel 4 model**"(whereby only these two broadcasters would be charged with public service obligations in respect of which Channel 4 would require additional funding to discharge); and a "**refined competitive funding**" regime in which "additional funding would be opened up to a wider pool of providers. The third, competitive funding, option has its origins in an earlier tentative Ofcom proposal to establish a Public Service Publisher (PSP) at the heart of which was a vision of "content for all distribution channels - broadband and mobile, together with a broadcast element" (see Ofcom 2009b: 18). Ofcom identified different possible ways (including reducing the BBC's licence fee revenues) of funding the public media services associated with each option.

Why did the PSP proposal fall by the wayside, why were the IFNCs were aborted, why have they not (yet) been resurrected and why is the classic, and very large scale, UK instrument of intervention in media markets, the BBC, no longer the instrument of intervention of choice? First, there is always room for argument as to whether markets have failed in a long term, structural, way or whether particular problems are transient phenomena and symptoms of markets adjusting rather than failing. Such arguments were successfully mobilised by incumbents to cut the legs from under the PSP proposal. The IFNCs were aborted (and have not been resurrected) because UK public finances are in a parlous state: when the Government canvasses reductions in defence and university budgets of 25-35% there is scant willingness in most quarters to spend more on the media – hence the demise of the IFNCs (other interventions, notably the UK Film Council, have been closed down). And, third, there is a significant level of elite, and to a lesser extent, popular disenchantment with the BBC: a disenchantment manifested in the Labour government's topslicing of the BBC budget in order to fund IFNCs (though this initiative was aborted by the incoming Coalition government) and in the Coalition government's freezing of BBC funding and loading the BBC with responsibility for funding a variety of other institutions and practices.

Despite the BBC's salience and the growing levels of public finance it enjoyed under Labour[xv] the BBC is now controversial. It has been perceived as a poor custodian of public resources (inflated executive salaries and expenses, excessive spending on "talent", weak performance under external audit, unethical behaviour etc); and also because its size and resourcing are seen as disproportionately large – particularly in a context where the BBC's growth, fuelled by rising licence fee revenues, contrasts with the decline experienced by its advertising funded counterparts. Further, the BBC is often seen as having moved too far from its public service mandate ("dumbing down" programming and resiling from its universal service vocation in providing partial, not universal, coverage on some platforms, encryption of services etc). In the context of widely perceived excessive spending, to point to declining BBC expenditure on programming is to wield a double edged sword but the decline in the ratio of BBC expenditure on original programming relative to expenditure between 1997 (65%) and 2009 (56%) is worthy of note – and regret (see Ofcom 2010b: 7).

However, despite these travails, the BBC retains a considerable (albeit diminishing) degree of public affection and trust. Nonetheless, as part of the Conservative/Liberal Democrat Coalition Government's public expenditure cuts the BBC licence fee now additionally funds the BBC's External (and monitoring) services, the broadcaster S4C, elements of broadband rollout and will be responsible for subventions to proposed local television stations. In short, the licence fee is no longer reserved for the BBC but is used to fund a variety of forms, and responsible institutions, of public media content (and infrastructure).

The Coalition government's initiative to cease to reserve the licence fee in its entirety for the BBC's own activities has been seen as unprecedented. Steve Hewlett, for example, in *The Guardian* claimed that "the events of last week have seen almost every one of the admittedly flimsy political conventions that underpin that independence ridden over roughshod. The government has always had the legal right to take money from the licence fee but by convention does not do so – reinforcing the separation of the money from general taxation that is so important to the public's perception (as well as the fact) of the BBC's separation from government. Until now, that is. The coalition has simply laid claim to the cash, treating the BBC as if it were just another government department" (see Hewlett 2010).

But though Hewlett's comments are representative they are not well informed. Well established, albeit dusty, precedents show that for long Government "topsliced" the BBC's licence fee. In the 1920s and 1930s the Government (through both the Post Office and The Treasury) took a slice of the licence fee: in year to 30.3.1928, for example, the BBC's income from licence fees was £800,959 – amounting to only 70.57% of licence fee revenue, the Post Office took 12.5% (£141,875) and the Treasury the remaining £192,166 (BBC 1929: 47). The BBC Year Book for 1932 recorded a further Government exaction and stated that (for year end 31.12.1930) "the Corporation has decided, in view of the present state of the national finances, to forego voluntarily, for the benefit of the Exchequer, part of the revenue from licences due to it under existing arrangements" (BBC 1932: 28). This "voluntary" levy amounted in 1931-32 to £150,000. Rather than, as Hewlett suggested, the Coalition Government acting without precedent rather it has broken with a convention which lasted for the last half century (or, spun differently, has returned to one which worked well for more than forty years).

Conclusion.

In the UK there is both a crisis in the business model which has thus far sustained pervasive affordable access to diverse, high quality, media content: advertising finance has, to a significant extent, migrated to the internet (and away from funding content) and the main publicly funded content provider, the BBC, has lost legitimacy and its funding has begun to be used as to support various forms and institutions of public media. The advertising canary in the UK's media coal mine has stopped singing. It remains to be seen both how far the UK's experience is emulated elsewhere and how much significance the Government attaches to that event and what, if anything, is to stand in place of the diminished flows of advertising finance to UK public media.

The biggest shift has been to search media such as Google and Yahoo which, though important aggregators and disseminators of pre-existing news, have not funded journalism and the production of original news copy. Social media, notably Facebook, are likely to join search engines as an online destination for advertising revenues but, like them, without legacy media levels of investment in content production. True, pluralism in legacy news supply may sometimes have been more apparent than real (newspapers rely on news agencies, seemingly separate broadcast news outlets relay news from the same newsrooms) but there can be little doubt that the economic base for pluralism in serious, original news journalism has diminished and seems likely to continue to do so (see, *inter alia,* Ofcom 2007). And though data can be spun in different ways, depending, for example, on which time series is taken and which media are included and excluded, the clear evidence of declining advertising revenues accruing to "legacy" media resulting in a loss of plurality (mergers and closures), of quality (eg fewer professional journalists and resources for thorough investigative reporting and for public service broadcast programming) and affordability (the growth of relatively highly priced subscription media and rising newspaper prices) suggests that the "standard interpretation of press history" excoriated by Curran and Seaton (2003: 5) may still have some legs.

Accordingly, the institutional instruments and regulatory, governance and funding regimes which formerly ensured that most UK media users were able to enjoy a plurality of varied and high quality services, pervasively available at affordable prices, have lost much of their power to secure public policy goals and not a little of their legitimacy. Circumstances have changed - but too few of the UK's media regimes and institutions have changed sufficiently to meet the new challenges and secure their mandated public policy goals. But crisis is not a wholly bad thing – crises bring opportunities and sometimes the destructive storms which blow turn out to be Schumpeterian gales of creative destruction. Threats are matched by opportunities and what is a crisis for particular institutions and interests may turn out to provide, as in this case, opportunities for new entrants and new ways to secure public interest objectives.

But only if online media are satisfactory substitutes for legacy media. Online advertising (and online auction sites such as eBay) is (are) clearly a highly satisfactory substitute(s) for legacy media advertising. But is online content a satisfactory substitute for legacy content media? Clearly there is an enormous amount of information made accessible through the internet. Some trusted institutions are emerging which perform the core journalistic/editorial functions of selection (for relevance), authentification and ordering/narration. Web 2.0 internet forms – exemplified in the paradigmatic *Slashdot* (www.slashdot.org) – embody distinctive instances of each of these functions but what's yet to emerge is an online institution able to perform the holding-to-account function attributed to legacy media in liberal press theory and, sometimes, actually performed by legacy media.

The distinction between legacy media's institutional force and, thus far, online media's lack thereof may be illustrated by the different impact afforded by comparable information releases by online and legacy media – the *Daily Telegraph's* 2009 release of data concerning UK Members of Parliament's (MPs') abuse of the Parliamentary expenses system and *WikiLeaks'* 2010 release of a plethora (c500, 000) of US military documents. *The Daily Telegraph's* release has resulted in changes to the rules governing UK MPs' expenses; MPs' resignations; successful criminal prosecutions and so on. Whereas *WikiLeaks'* release, though orchestrated with highly legitimised legacy institutions, has yet to exert a comparable impact; there have been no resignations, no trials and no-one has been fingered as responsible. The relevant parties have not effectively been held to account – as they were by *The Daily Telegraph.* Perhaps because the *WikiLeaks* releases were constructed (whether by *WikiLeaks* or by parties interested in reducing their legitimacy and impact or, most likely, by both) as a personal utterance by Julian Assange[xvi] rather than as an institutional intervention by a body assigned a holding-to-account role. In the future, new media may acquire an institutional force comparable to contemporary legacy media's. But, to date, they have not done so. There are, therefore, grounds for concern about their decline. Power effectively to hold to account the powerful is more than a matter of aggregating a host, however large, of web pages and concerned webizens. Gulliver is not yet vulnerable to being bound by the accumulated threads of the web's Lilliputian illuminati whereas the declining Brobdignagian giant of legacy media still, from time to time, can, and does, bind the Gullivers of government and commerce.

It remains to be seen how much significance governments attach to legacy media's decline and what, if anything, is to stand in place of the diminished flows of advertising finance to public media. However, short of government intervention, we are likely to see the growth of pay-for-content media (already a striking feature of the television sector, though the large scale revenues enjoyed by pay-tv providers, are not matched by correspondingly high levels of consumption of pay-for content) complemented, probably, by an increasingly embattled and less generously funded public service broadcasters and a severely diminished advertising funded/advertising supported sector. Re-regulation is, probably, premature. It is unlikely, therefore, that any of the current and time honoured players, at least in the UK's public media, will live happily ever after though the claims of the new forces seem likely to grow in both volume and substance.

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Endnotes.

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[i] *The Global and Irish E&M Landscape 2009-2013* of 16.8.2010.

[ii] My account refers to a number of the UK's leading public media products and institutions – the Wikipedia entries on UK Media and UK newspapers at http://en.wikipedia.org/wiki/Media_of_the_United_Kingdom and http://en.wikipedia.org/wiki/List_of_newspapers_in_the_United_Kingdom provide a helpful orientation.

[iii] This initiative is under challenge as incompatible with EU telecommunication regulation.

[iv] A recent McKinsey study of the impact of the Internet on the economy identified the UK (and Sweden) as "changing the game" (McKinsey 2011: 4) – ie contributing particularly strongly to economic growth. It may be, therefore, that the impact of the Internet on the UK's advertising market is one dimension of the Internet's particular salience in the UK's economy.

[v] See Figure 1.4 in Ofcom's data on international communications markets at http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/icmr09/ accessed on 2.3.2011.

[vi] See World Association of Newspapers 2009.

[vii] In the UK, this term includes profit distributing broadcasters such as ITV and *five* as well as the BBC, Channel 4 and other public sector institutions.

[viii] *World Press Trends 2009* (World Association of Newspapers 2009: 312) states that 2008 advertising revenues in China grew 13.22% for television, 10.215 for the internet and 6.36% for newspapers. Newspaper circulation in China has grown year on year between 2004 and 2007 as has, with a downward blip in 2005, the number of newspaper titles (World Association of Newspapers 2009: 315). In India, both circulation and number of newspaper titles grew consistently between 2004 and 2007 (World Association of Newspapers 2009: 492).

[ix] See, for example, the table showing declining circulations of twenty representative non-national UK newspapers over twenty years compiled by Peter Robins in August 2010 at http://www.guardian.co.uk/media/organgrinder/2010/aug/25/long-fall-local-press accessed on 2.3.2011.

[x] See http://www.pressgazette.co.uk/story.asp?sectioncode=1&storycode=45856&c=1 accessed on 2.3.2011.

[xi] See Sir Martin Sorrell *View from the top. Interview by Andrew Edgecliffe-Johnson.* Financial Times 28.2.2011 p 18.

[xii] Apple is reported to demand 30% of revenues and Google 10% with Apple also demanding to retain customer data, see David Carr *Online subscriptions a quandary for the press.* In New York Times 22.2.2011 p 18.

[xiii] Much of the content of such sites, eg *Wikinews*, may be dependent on material derived from legacy media.

[xiv] Isabel Hilton was editor in chief of *openDemocracy* at the time of the interview.

[xv] BBC licence fee revenues grew by c63% during Labour's terms of office.

[xvi] See, *inter alia*, the *New York Times'* account (bylined Bill Keller) of collaboration with Assange: *The Boy who kicked the Hornet's Nest* in *The New York Times Magazine* 20.1.2011: 33-39 and 46-47. Also at (under the title *Dealing With Assange and the WikiLeaks Secrets*). At: http://www.nytimes.com/2011/01/30/magazine/30Wikileaks-t.html?_r=1&ref=magazine accessed on 1.2.2011.